

STATE OF NEVADA



OFFICE OF SECRETARY OF STATE ROSS MILLER

June 3, 2011

**RESOLUTION STATEMENT**

On March 11, 2011, the Secretary of State's office initiated an investigation into potential campaign finance violations by the Rory Reid campaign, the Economic Leadership PAC ("ELPAC"), and ninety (90) separate committees for political action all registered at the same 716 Kelso Way address in Las Vegas, Nevada (the "Kelso PACs"). Rory Reid was a candidate for Governor, and David Cohen and Joanna Paul were employees of the Rory Reid campaign. Mr. Cohen and Ms. Paul were the primary officers for ELPAC and the Kelso PACs. It is not disputed that ELPAC and the Kelso PACs were directly affiliated with the Rory Reid campaign.

As part of its investigation, the Secretary of State's office has reviewed documents voluntarily provided by the undersigned, the applicable contributions and expenses reports, Nevada election statutes and relevant case law, and the undersigned parties' written statement from their legal counsel. The Secretary of State has also had discussions with the parties and has received full cooperation from all parties concerned. The Secretary of State's office also consulted with the Nevada Attorney General's office before reaching its conclusion. Based upon the investigation of this matter, the following summarizes the Secretary of State's conclusion and the resolution of this matter.

Mr. Reid's campaign first formed and registered ELPAC, which received contributions totaling \$933,300.00 in 2010. From mid-August through mid-October, 2010, the Rory Reid campaign, through the efforts of Mr. Cohen and Ms. Paul, formed and registered the ninety (90) Kelso PACs described above – each registered with the same address and with names providing no guidance that they were affiliated with the Rory Reid campaign, ELPAC or one another. Furthermore, none of the Kelso PACs (or ELPAC) disclosed any affiliated organizations as required by the registration form and NRS 294A.230(2)(d). During that same time period, ELPAC made individual contributions to the Kelso PACs, which in turn made corresponding contributions to the Rory Reid campaign.

The Secretary of State acknowledges that the undersigned parties believed that their actions were in compliance with Title 24 and that they acted upon the advice of experienced legal counsel. The Secretary of State also acknowledges that ELPAC, the Kelso PACs, and the Rory Reid campaign complied with all the reporting requirements of NRS Chapter 294A with respect to the contributions that are at issue. It is further acknowledged that, prior to establishing the aforementioned PACs, an attorney acting on behalf of Mr. Reid's campaign inquired with the Secretary of State's office as to the permissibility of the aforementioned campaign finance structure and believed, based upon that verbal conversation, that the campaign finance structure

was permissive under Nevada law. However, after further investigation by the Secretary of State's office, it is apparent that the verbal conversation between the parties did not relate to the prohibited practice of "conduit contributions" but instead to a permissible activity that is commonly referred to as "bundling." It is acknowledged that Mr. Reid's campaign believes that this communication with the Secretary of State's office suggests a finding that the campaign finance structure established by Mr. Reid's campaign was not a willful violation of Nevada's election laws and was not orchestrated in bad faith.

With respect to the organization and use of ELPAC and the Kelso PACs to make contributions to the Rory Reid campaign, it is the conclusion of the Secretary of State that the various individual contributions from the Kelso PACs to the Rory Reid campaign violated the provisions of NRS 294A.112, which prohibits contributions in the name of another. The registrations of ELPAC and the Kelso PACs also failed to disclose affiliated organizations as required by NRS 294A.230(2)(d). The Secretary of State finds that the Kelso PACs had no other utility than to act as a conduit for contributions from ELPAC to the Rory Reid campaign.

While the Rory Reid campaign's legal interpretation of the applicable statutes significantly differs from that of the Secretary of State's office, and the undersigned parties do not admit that they violated NRS 294A.112 or any other statutory provision, the undersigned parties recognize that, if the matter were to proceed to litigation, sufficient evidence exists such that the Secretary of State's conclusion could be sustained by a trier of fact. As such, the undersigned parties and the Secretary of State wish to resolve this matter without prolonged litigation and without incurring additional expense to the undersigned parties and the State, as well as the use of judicial resources.

On a prospective basis, Mr. Reid, Mr. Cohen and Ms. Paul accede to the Secretary of State's interpretation that the aforementioned campaign activities are contrary to NRS 294A.112. As full and complete settlement of this matter, Mr. Reid additionally agrees to pay an administrative penalty of **\$25,000.00** and Mr. Cohen and Ms. Paul agree to collectively pay an administrative penalty of **\$2,500.00**. The undersigned parties hereby agree that they will remit their total sums of \$25,000.00 and \$2,500.00, respectively, to the Secretary of State's office no later than December 31, 2011.

Following full execution of this written agreement and the Secretary of State's receipt of the total \$25,000.00 settlement fine from Mr. Reid and the total \$2,500.00 settlement fine from Mr. Cohen and Ms. Paul, the undersigned parties will have satisfied any and all obligations under Title 24 as they relate to the above-described investigation, and the Secretary of State, and its agents, will conclude and close any and all further investigation into this matter.

It is further acknowledged by the undersigned parties that they were provided the opportunity to seek legal counsel to review the Secretary of State's findings and to negotiate this settlement.

[Signatures on the following page.]

IT IS HEREBY AGREED BY THE FOLLOWING PARTIES:

**DATED** this 3rd day of June, 2011.

By:   
\_\_\_\_\_  
Scott F. Gilles, Esq.  
Deputy Secretary of Elections

**DATED** this \_\_\_\_ day of June, 2011.

By: \_\_\_\_\_  
Rory Reid

**DATED** this \_\_\_\_ day of June, 2011.

By: \_\_\_\_\_  
David Cohen

**DATED** this \_\_\_\_ day of June, 2011.


By: \_\_\_\_\_  
Joanna Paul

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Deputy Secretary of Elections

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Joanna Paul

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By: \_\_\_\_\_  
Joanna Paul